

To the Members of the California State Assembly:

I am returning Assembly Bill 608 without my signature.

I strongly support small business participation in State contracting. In March 2006, I issued Executive Order S-02-06, reaffirming the State's historic commitment to 25 percent small percent small business participation in State contracting and ordering a series of measures to expand participation. In July 2006, I built on those steps by issuing Executive Order S-11-06, directing additional actions by Caltrans and the Business, Transportation, and Housing Agency to assist small business and disadvantaged business enterprises in participating in federally funded highway and transit projects.

However, I am concerned that this bill, by increasing the existing small business bid preference on State contracts from 5 percent to 10 percent, would result in increased costs to the State. According to the Department of Finance, if this increased preference had been in place in 2005-06, the additional costs to the State could have been up to \$85 million. Given the current fiscal climate, I do not think it is prudent to enact a measure that increases liability for additional costs.

For this reason, I am unable to sign this measure.

Sincerely,

Arnold Schwarzenegger